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BANKERS AND BONDS

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A MESSAGE TO BANKERS

The partnership between the banking community and the Treasury Department in support of the U.S. Savings Bonds Program has lasted nearly a half century on the basis of mutual interests and a shared philosophy—that America and its people benefit from increased saving in all forms. That partnership has been one of remarkable success, and today approximately \$110 billion worth of Savings Bonds are held by Americans.



The Treasury Department deeply values your active support for Savings Bonds. We know, better than anyone, that without you—issuing and redeeming Bonds, providing information and other services to your customers—the Savings Bonds Program would not be as successful as it is.

We are determined to make your continued support for the Program as easy as possible. Savings Bonds are a relatively efficient means of financing the national debt, while at the same time contributing to the financial security of millions of American households.

It is your support and your leadership that make these accomplishments possible. All of us at the Treasury are grateful for your contributions to what truly is a great American partnership.

A handwritten signature in dark ink, reading "Nicholas F. Brady". The signature is written in a cursive, flowing style.

Nicholas F. Brady
Secretary of the Treasury

MESSAGE FROM ABA PRESIDENT

The unwavering support of the American Bankers Association for the U.S. Savings Bonds Program has produced many benefits through the years for our customers, our country, and our institutions. Not least of these is the fostering of the savings ethic, so talked about—and so neglected by many Americans—recently.



It is most important that the partnership between Savings Bonds and the banking community continue, for there has never been a time when increasing savings was more important to America's economy. Fortunately, the Treasury Department has taken steps to make our support for Savings Bonds as painless as possible.

Savings Bonds have been brought into the electronic age, with simplified MICR processing and movement toward centralized issuance, both of which significantly ease our handling of Bond transactions. And the qualities of the product itself have never been better.

So, today, there is no conflict between cost efficiency and patriotism when it comes to Savings Bonds—we can have them both. And that is all to the good, since this is a partnership well worth continuing. I urge you to do what's best for your customers, your country, yourself—give your wholehearted support to the U.S. Savings Bonds Program.

A handwritten signature in dark ink, reading "Thomas P. Rideout". The signature is fluid and cursive, with a large initial 'T' and 'R'.

Thomas P. Rideout
President
American Bankers Association

BANKERS AND BONDS: A GREAT AMERICAN PARTNERSHIP

This has been a decade of change for the financial industry—a decade marked by automation, computerization, a host of new products, and institutional consolidations that have changed the way many Americans think of their local bank. The changes, on the whole, have been beneficial to consumers, institutions, and the country—though no one would argue they were accomplished without cost.

Through it all, one relationship remained constant—the partnership between the banking community and the Treasury Department in support of the U.S. Savings Bonds Program. Not that the interface has been without change; quite the contrary. The Savings Bonds Program has changed radically for the better since 1980, both in terms of the product offered and in terms of the way Bond transactions are handled by the nationwide network of financial institutions.

Also remaining constant are the benefits a successful Savings Bonds Program brings to our country and its citizens. Savings Bonds continue to offer Americans a convenient and competitive way to save through the Payroll Savings Plan. These are, by

and large, new savings—that is, money that would not otherwise be saved. The \$9 billion added by the Bond Program to America's savings reserves in FY 1988, following FY 1987's \$11 billion addition, is a substantial plus in this time of low savings rates.

Further, Savings Bonds continue to save the government substantially in terms of debt-service costs. The latest estimates show that for every billion dollars in Bond sales, the Treasury saves some \$70 million compared to the financing of the national debt through Treasury marketables.

Of course, without your help and support none of this would be possible. Sales through financial institutions, whether over-the-counter or for company payroll savings plans, amount to well over 90 percent of the program's dollar volume. So it is important to the Treasury that servicing your customers' Savings Bonds transactions works smoothly within your operations.

The past two years have seen considerable progress in that regard. The transition to a paper, MICR-encoded

Savings Bond compatible with your existing check-processing machinery has been completed. The "Ohio" experiment of central issuance through a Federal Reserve Bank has proven to be a success, and will soon widen in scope.

But as it becomes easier for you to deal with Savings Bonds, it is even more important to the Treasury that you remain an issuing and redemption agent and continue to provide the high-quality Bond services your customers want and deserve. New savers and new savings generated by the Bond program are important not just to the Nation as a whole—they are important to you as well. For it is from them that you will get new customers and new deposits for your many profit-generating services.

As we close out the 1980's, the best news is that the Great American Partnership is poised to enter its fifth decade with renewed strength and resilience—ready to play an even larger role in the lives of our citizens, our communities, and our country.

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BONDS AND SAVING

Judging by the recent performance of Americans, saving must be one of the most difficult activities we **should** do. Since 1981, savings as a percentage of disposable personal income have fallen from 7.5% to 3.2%. Worse, net national saving in the 1980's has averaged 3% of gross national product, following a 7.1% rate in the 1970's and a 7.9% rate in the 1960's, with the rate in 1986 and 1987 an anemic 2% of GNP. By way of comparison, the national savings rate of major industrialized countries averages 10%, with Japan at nearly 16%.

The implications for America's long-term future are a little frightening. So it is in our national interest to encourage new savings, and to make saving

as easy as possible. Despite the proliferation of new financial services products this decade, few are aimed at the low end where new savers and better savings habits must start.

The Savings Bond has proven that it can be the affordable product that is needed. With a low entry price and unmatched convenience of purchase through the Payroll Savings Plans offered by tens of thousands of companies, Savings Bonds are designed to get people to start saving and keep saving, allowing development of the savings habit and graduation into more sophisticated financial instruments.

With a nearly 50-year record, and a product that is attractive to savers and

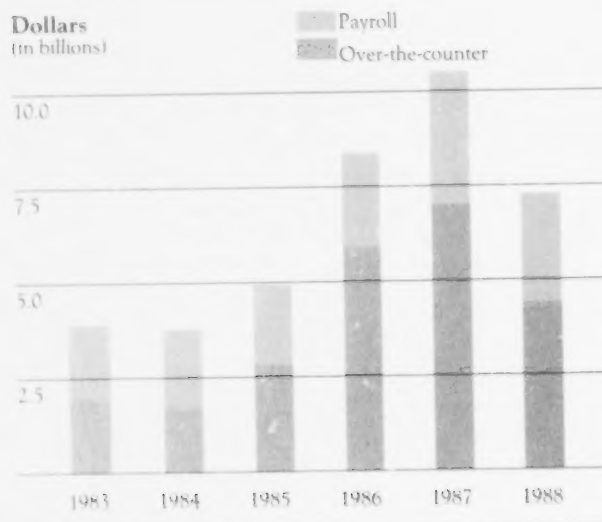
investors both large and small, Savings Bonds fill an important niche in the range of available instruments. They provide a vehicle for the smaller savings amounts that financial institutions are reluctantly abandoning because of the high costs associated with small accounts.

By adding to the population of savers, Bonds help our Nation's economy and, in the long run, help financial institutions both directly and indirectly.

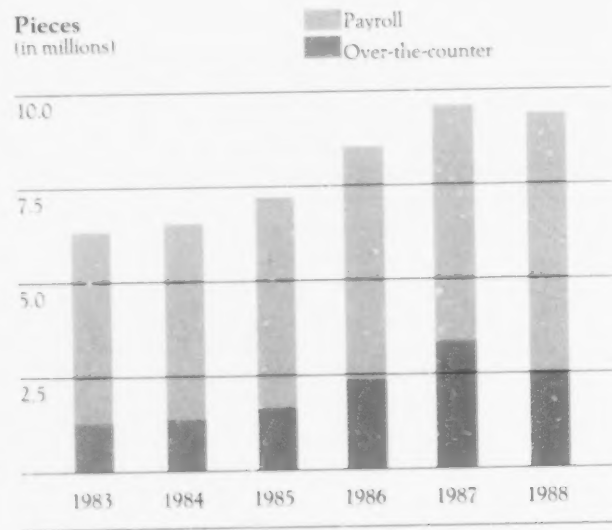
Continuing to serve as a Savings Bonds issuing and cashing agent is, then, in your own best interest — and that of your community and country — and it is a mark of your dedication to the savings ethic we all believe in.

Sales of U.S. Savings Bonds
(Fiscal Years)

Dollars
(in billions)



Pieces
(in millions)



THE ECONOMY AND SAVINGS BONDS

It is a truism that savers make investors. It is equally true that in America today there are too few savers. It is vitally important to the future of America — and its citizens — to raise the national savings rate to a level consistent with the need for capital investment.

Savings Bonds have long boosted the investment potential of Americans by helping them save regularly for the future. Bonds are also an integral part of any sound, diversified portfolio designed to meet future contingencies. The 30 million individuals that now hold an average approaching \$4,000 in bonds represent an enormous pool of potential investors. The 12 million annual buyers are a market for your many other services. But there is more here than mere potential — there is a significant economic benefit to the holdings themselves.

With more than \$110 billion worth outstanding, Savings Bonds are an important part of the Treasury Department's debt management efforts. Since Bonds are held approximately twice as long, on average, as marketable debt, they add stability to the debt and reduce its carrying cost. Taxpayers benefit further because the average interest cost of Bonds is lower than that of marketable securities. The latest estimates show that for every \$1 billion in Savings Bonds sales, the Treasury saves approximately \$70 million over the cost of financing

the national debt with marketable securities.

Bonds also represent a substantial amount of money that does not have to be borrowed in the market. They thus expand the pool of investment money and help reduce rate pressures.

At the same time they help to build economic strength. Savings Bonds help to build personal assets in communities across the Nation. That means additional buying power for your customers and a healthier business climate in which to operate.

Steady growth of holdings comes from the six million individuals who buy Bonds regularly through the payroll savings plan offered by local businesses and industry. In recent years, additional significant growth has come

from over-the-counter purchases. This latter growth has been due to both a favorable rate structure and your agent services.

Your support of corporate customers sponsoring payroll savings plans is the key to the success of their employees' efforts to save, and will add to your future assets. Your service to over-the-counter customers strengthens your traffic, your competitive position, and community good will.

By simply offering high-quality Bond services provided by trained personnel, you will win new business that will be both profitable and long-term. Your support of the Bond program, then, is in your own interest, your community's interest, and in the national interest.

Ratio of Savings to Disposable Income
U.S. and Other Industrial Countries

	1982	1983	1984	1985	1986	1987
United States	6.2	5.0	8.5	7.3	4.3	3.7
France	15.5	14.9	10.0	8.8	14.0	12.8
Germany	14.4	12.7	11.4	11.4	13.4	13.5
Italy	24.0	22.4	18.8	19.7	20.8	20.3
United Kingdom	10.8	10.9	7.5	6.7	7.5	5.9
Japan	17.7	17.3	16.0	16.0	16.4	16.1
Canada	15.1	13.3	15.0	13.8	11.5	9.3

Source: Organization for Economic Cooperation and Development
International Monetary Fund

THE BOND OWNER AND YOU

High quality and full service are the twin pillars of the commercial banking industry. They have made the neighborhood banker the financial resource of first resort for Americans everywhere.

Among the people you serve are the tens of millions of U.S. Savings Bond owners. Most of them are your regular customers. But whether they are or not, they have learned to depend on America's bankers for reliable issuance, redemption, and information services. By continuing to provide the best service possible, you are not only helping Bond owners and buyers—you are helping to retain and expand your own customer base.

A well-trained, motivated staff equals good service and reinforces customer confidence. Specific Savings Bonds training is easy for you to provide. A complete instructional package, "United States Savings Bonds Seminar," is available either through the American Institute of Banking or the U.S. Savings Bonds Division.

Leader and student manuals contain the basic information your cus-

tomers need. Other reference and information materials are available—all at no cost to you. And all will be updated as operational changes in the Savings Bonds Program warrant.

Personnel well-versed in the Savings Bonds Program demonstrate your institutional commitment to customer desires and to the needs of your community. Plus, a well-trained staff means reduced time in handling Bond transactions and a lower potential for liability-producing errors.

You can also demonstrate your support for Bonds, at minimal cost, by including informational letters and leaflets in your regular mailings to your customers.

The Treasury-banker partnership continues to strengthen as it nears the end of its fifth decade. You have made Savings Bonds both possible and the most widely-held security in history. In so doing, you have made a significant contribution to the financial well-being of your communities and to the fiscal stability of your country.

The Savings Bonds Program, thanks

to your support, is growing strongly. The U.S. Savings Bonds Division wants to provide you with the means to make your continued support as easy as possible.

The following pages contain materials that will help you and your customers participate more fully in today's Savings Bonds Program. Three sample letters to customers will help you inform them of the services you offer. Also provided is basic information on the market-based interest rate.

The Savings Bonds Division automatically provides your institution with general information brochures and rate material for lobby display. Please make these publications available to your customers and your counter personnel. They will help answer many Savings Bonds questions before they are asked.

Finally, reference and other useful material available to you are listed, along with a roster of Savings Bonds Division offices where expert staff can answer your questions and fill orders for materials.



MODEL LETTERS TO CUSTOMERS

Dear Customer:

Here at (*name of institution*), we are proud of our full-service banking tradition. We offer you a wide array of services because we know that everyone's financial needs are somewhat different, though containing common elements.

The most basic common denominator for all of us is saving. For without a foundation of savings, none of the many high-earning options available in the marketplace is possible. That is why we support the U.S. Savings Bonds Program.

Savings Bonds, particularly when purchased through the payroll savings plan offered by employers, provide the means to start saving and develop the savings habit no matter what your income. We are proud to assist many of this area's employers by offering issuing services for their payroll plans.

Participating in the payroll savings plan, or simply buying Bonds over-the-counter, is smarter than ever. Savings Bonds offer market-based interest rates or a guaranteed rate of return when held five years or longer, tax advantages, and complete safety. They are the "Great American Investment" for everyone.

We urge you to make Bonds a part of your saving and investment strategy. Doing so will help you and this community grow together.

Ask about payroll savings where you work, or call us. We'll be glad to give you more information and whatever help you need.

Sincerely,

Dear Customer:

For many years, (*name of institution*) has been proud to offer issuing and redemption services for United States Savings Bonds. We have done so not merely for patriotic reasons, but because we know that Bonds are a good way for everyone to save more at a good rate of return, and strengthen our national economy. Today's Savings Bonds offer competitive market-based rates, tax advantages, complete safety, and more. Additional information and a Buyer's Guide are available at all of our branches.

Those of you who have been buying Bonds for many years should be aware that, in most cases, they are getting at least as good a return as new issues. But some very old Savings Bonds do require action. These are Series E Bonds originally issued in the 1940's, which cease to earn interest 40 years after their issue dates. For example, Bonds originally purchased in June 1949 will stop earning interest on June 1, 1989. Such Bonds should be redeemed or exchanged as soon as possible after interest stops.

An exchange of E Bonds for Series HH Bonds can be of benefit if you have Bonds nearly 40 years old. An exchange will extend the interest-bearing life of your Bonds by at least 10 years, and continue the deferral, for Federal income tax purposes, of taxation of your E Bond interest. HH Bonds pay interest directly to owners semiannually, either by check or electronic funds transfer to a designated account, at a flat rate of six percent, providing steady, guaranteed income.

You have up to one calendar year after an E Bond reaches final maturity to make the exchange and benefit

from the tax deferral privilege. A minimum of \$500 worth of Bonds must be exchanged. We can help you with your exchange, and provide additional details about HH Bonds. Please stop in soon and let us serve you.

Sincerely,

Dear Customer:

Your financial needs are of paramount importance to us. That is why we offer you a complete range of banking services including the sale and redemption of United States Savings Bonds.

We offer Bonds because of customer demand and, more importantly, because the sale of Bonds is good for our economy and all Americans.

Today, Savings Bonds are a highly attractive, competitive savings instrument, held in increasingly high regard by financial experts. They offer market-based rates of interest when held five years or longer, a guaranteed rate of return, tax advantages, complete safety against loss, and are purchased and redeemed without fee or commission to you. For our country, they offer a relatively low-cost, stable way to finance the debt—reducing the cost of the debt to each of us as taxpayers.

You can buy Savings Bonds from us either over-the-counter or through regular transfers from your checking or savings account. Come in and we'll be glad to tell you more. You'll find out why millions of Americans turn to Savings Bonds to build a better future for themselves and their families.

Sincerely,

MARKET-BASED RATES: WHAT ARE THEY?

The market-based interest system inaugurated in November 1982 improved the earnings potential for older Bonds and provided financial incentive for citizens to buy Bonds.

Market-Based Interest Rates

- Apply to Bonds held at least five years after November 1, 1982, or date of issue, whichever is later.
- Apply to all unmatured Series E Bonds, and U.S. Savings Notes, and to all Series EE Bonds held at least five years unless previous guarantees are higher.
- Are calculated at 85 percent of the Treasury five-year constant maturities rate during the Bond's lifetime under the market-based program, rounded to the nearest one-quarter percent and compounded semiannually.
- Can earn interest as high as the market dictates.
- Cannot earn less than the minimum rate in effect at the time of purchase, or at the time the Bond last entered an extension period, when held five years or longer.
- Interim market-based rates and redemption rates for eligible Bonds change each May 1 and November 1, based on market averages for the preceding six months.
- Do not apply until Bonds are held five years or longer, but then apply retroactively to November 1, 1982, or the date purchased, whichever is later. If not held five years, EE Bonds earn interest at a fixed, graduated rate beginning at 4.16 percent after six months.

TECHNICAL AND CONSUMER PUBLICATIONS AVAILABLE TO BANKS

Consumer Publications

The following publications for distribution to bank customers are available in quantity from U.S. Savings Bonds Division offices:

- Savings Bonds Buyers Guide, SBD-1949. Basic program information.
- Rate information flyer, updated each May and November.
- The Savings Bonds Question and Answer Book, SBD-1940. Quantities of this brochure are limited.
- Flyer for inclusion with bank mailings, SBD-1943.
- Personal Record of Ownership, SBD-1875.

Reference Material

The following publications are available as aids to bank personnel from the U.S.

Savings Bonds Division offices listed in this booklet or from Department BB, U.S. Savings Bonds Division, Department of the Treasury, Washington, DC 20226.

- The Book on U.S. Savings Bonds, A Guide for Issuing and Paying Agents, SBD-1903. This publication is a handy desk reference covering regulations and procedures for tellers and others who deal with Bonds. It also contains a list of forms used in various Savings Bonds transactions.

- Legal Aspects, SBD-1904. Designed primarily for trust officers, discusses various tax matters and reissues.

- U.S. Savings Bonds Seminar. Two manuals containing materials for use in training sessions. The leader's guide, SBD-1912, and the student book, SBD-1911, may be ordered separately.

Current Information

- A newsletter, "The Bond Teller," is available by free subscription to issuing and paying agents. This publication is designed to keep bank personnel up-to-date on developments in the Bond program. If your bank is not already receiving this publication, write to "The Bond Teller," U.S. Savings Bond Division, Department of the Treasury, Washington, DC 20226. Please specify the number of copies of each issue your bank requires.

- Market-Based Rate Bulletin. Mailed automatically each May and November to the same banks that receive "The Bond Teller." Updates semiannual rates and average rates applying to all Bonds.

The Federal Reserve Role

Federal Reserve Banks want to provide each Savings Bonds issuing agent with the

best service possible. Contact your servicing Federal Reserve Bank or Branch for issue, reissue, and redemption instructions, as needed, and to resolve any questions that may arise with regard to your agency services. Their Fiscal Agency Departments can also supply the following publications:

- Treasury Department Circulars, Public Debt Series 1-80 (Series EE), 2-80 (Series HH), and 3-80 (governing regulations).
- Treasury Department Circulars 530 (governing regulations), 653 (Series E), 905 (Series H), 3-67 (Savings Notes), 4-67 (instructions for issuing agents), and 750 (instructions for redemption agents).
- Tables of Redemption Values for Series E and EE Bonds and Savings Notes. The Series E and EE Tables are also available to consumers from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. Prices for consumers vary.

The above publications are also available from the Bureau of the Public Debt, Parkersburg, WV 26106-1328, which also services reissues and can provide advice and instructions on many transactions by calling (304) 420-6110.

SAVINGS BONDS DISTRICT OFFICES

(All addresses should be headed:
U.S. Savings Bonds Division,
Department of the Treasury)

Atlanta

(Georgia, Florida)
1720 Peachtree Street, N.W., Suite 242
Atlanta, GA 30309
(404) 347-4895

Birmingham

(Alabama, Louisiana, Mississippi, Tennessee)
Suite 750, Beacon Ridge Tower
600 Beacon Parkway West
Birmingham, AL 35209
(205) 731-1202

Boston

(New England)
Boston Federal Office Bldg.
10 Causeway Street, Room 463
Boston, MA 02222-1090
(617) 565-6100

Chicago

(Northern Illinois)
John C. Kluczynski Federal Bldg.
230 S. Dearborn St., Rm. 530
Chicago, IL 60604-1594
(312) 353-6754

Cleveland

(Ohio, Kentucky)
55 Erieview Plaza, Suite 580
Cleveland, OH 44114
(216) 522-4012

Dallas

(Texas)
Earle Cabell Fed. Bldg. & Cthse.
1100 Commerce St., Rm. 14C-44
Dallas, TX 75242-9972
(214) 767-0435

Detroit

(Michigan, Indiana)
Patrick V. McNamara Bldg., Suite 1745
477 Michigan Ave.
Detroit, MI 48226-2577
(313) 226-7375

Greensboro

(North Carolina, South Carolina)
U.S. Courthouse
324 W. Market St., Room 236
Greensboro, NC 27402
(919) 333-5461

Los Angeles

(Arizona, Southern California, Southern
Nevada, New Mexico)
Building 218 Eisenhower Avenue
VA Medical Center, West Los Angeles
Inside Delivery to Room 121, First Floor
Los Angeles, CA 90073-0600
(213) 209-6580

Manhattan

26 Federal Plaza, Rm. 3046
New York, NY 10278
(212) 264-1368

Minneapolis

(Iowa, Minnesota, Nebraska, North Dakota,
South Dakota, Wisconsin)
220 S. Second St.
Bridgeplace, Room 301
Minneapolis, MN 55401
(612) 370-3200

Trenton

(New Jersey)
810 Bear Tavern Road, Suite 303
West Trenton, NJ 08628
(609) 989-2088

New York

(New York State, except Manhattan)
6 World Trade Center, Room 320
New York, NY 10048
(212) 466-4450

Pittsburgh

(Delaware, Pennsylvania)
Federal Bldg., Rm. 832
1000 Liberty Ave.
Pittsburgh, PA 15222
(412) 644-2990

San Francisco

(Northern California, Northern Nevada, Utah)
Alameda Federal Center
620 Central Ave., Bldg. 2E, Rm. 107
Alameda, CA 94501
(415) 273-4477

Seattle

(Alaska, Colorado, Hawaii, Idaho, Oregon,
Montana, Washington, Wyoming)
121-107th N.E. Suite 123
Bellevue, WA 98004
(206) 442-4536

St. Louis

(Arkansas, Oklahoma, Missouri, Kansas,
Southern Illinois)
210 N. Tucker, Rm. 1111
St. Louis, MO 63101
(314) 425-5715

Washington, D.C.

(District of Columbia, Maryland, Virginia,
West Virginia)
5550 Friendship Blvd., Suite 400A
Chevy Chase, Md 20815
(301) 492-5797